

**REPORT OF THE AUDIT OF THE  
OWSLEY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE OWSLEY COUNTY FISCAL COURT**

**June 30, 2011**

The Auditor of Public Accounts has completed the audit of the Owsley County Fiscal Court for fiscal year ended June 30, 2011.

We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Owsley County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$4,524,946 as of June 30, 2011, with \$168,518 being unrestricted net assets. The fiscal court had total debt principal as of June 30, 2011 of \$289,080 with \$179,100 due within the next year.

#### **Report Comment:**

2011-01 The County Did Not Maintain A Complete And Accurate List Of Capital Assets

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Ronnie DeBord, Owsley County Judge/Executive  
Members of the Owsley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owsley County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Owsley County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Owsley County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Owsley County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky  
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The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Owsley County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2012 on our consideration of Owsley County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

2011-01 The County Did Not Maintain A Complete And Accurate List Of Capital Assets

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

June 28, 2012



OWSLEY COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Ronnie DeBord	County Judge/Executive
Jesse Bishop Jr.	Magistrate
Roger Reed	Magistrate
Mike Harris	Magistrate

**Other Elected Officials:**

Henley McIntosh	County Attorney
Robert Cope	Jailer
Sid Gabbard	County Clerk
Mike Mays	Circuit Court Clerk
Kelly Shouse	Sheriff
Sandra King	Property Valuation Administrator
Eddie Isaacs	Coroner

**Appointed Personnel:**

Barbara Whittaker	Former County Treasurer
Tammy Combs	Finance Officer
Randall Mayes	Road Supervisor

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**OWSLEY COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**OWSLEY COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 301,318
Total Current Assets	<u>301,318</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	327,216
Land and Land Improvements	303,402
Buildings	1,169,910
Vehicles and Equipment	1,422,996
Infrastructure	<u>1,289,184</u>
Total Noncurrent Assets	<u>4,512,708</u>
Total Assets	<u>4,814,026</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations Payable	<u>179,100</u>
Total Current Liabilities	<u>179,100</u>
Noncurrent Liabilities:	
Financing Obligations Payable	<u>109,980</u>
Total Noncurrent Liabilities	<u>109,980</u>
Total Liabilities	<u>289,080</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	4,223,628
Restricted For:	
Capital Projects	15,063
General Health and Sanitation	46,040
Roads	63,866
Protection to Persons and Property	7,831
Unrestricted	<u>168,518</u>
Total Net Assets	<u><u>\$ 4,524,946</u></u>

The accompanying notes are an integral part of the financial statements.

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**OWSLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**

**OWSLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 704,686	\$ 58,311	\$ 17,752	\$
Protection to Persons and Property	415,107	70	307,316	21,962
General Health and Sanitation	330,221	258,441	118,395	4,992
Social Services	118,272		2,770	
Recreation and Culture	56,898			
Roads	1,224,021	42,231	57,340	1,213,979
Interest on Long Term Debt	8,410			
Capital Projects	112,475			599,784
Total Governmental Activities	\$ 2,970,090	\$ 359,053	\$ 503,573	\$ 1,840,717

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Tangible Personal Property Taxes  
Insurance Premium Taxes  
Other Taxes

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**OWSLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses)</b> <b>Revenues and</b> <b>and Changes</b> <b>in Net Assets</b>	
<b>Governmental</b> <b>Activities</b>	
<hr/>	
\$	(628,623)
	(85,759)
	51,607
	(115,502)
	(56,898)
	89,529
	(8,410)
	487,309
<hr/>	
\$	(266,747)
<hr/>	
	100,541
	22
	30,899
	25,084
	202,859
	33,475
	52,592
	8,967
<hr/>	
	454,439
<hr/>	
	187,692
<hr/>	
	4,337,254
<hr/>	
\$	4,524,946
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The accompanying notes are an integral part of the financial statements.

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**OWSLEY COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**



**OWSLEY COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 229,497	\$ 5,975	\$ 63,579	\$ 2,267	\$ 301,318
Total Assets	<u>229,497</u>	<u>5,975</u>	<u>63,579</u>	<u>2,267</u>	<u>301,318</u>
<b>FUND BALANCES</b>					
<b>Restricted For:</b>					
Capital Projects	15,063				15,063
General Health and Sanitation	46,040				46,040
Roads		5,975	57,891		63,866
Protection to Persons and Property	2,143		5,688		7,831
<b>Assigned To:</b>					
Protection to Persons and Property	15,603				15,603
Social Services				2,267	2,267
Recreation and Culture	72,455				72,455
<b>Unassigned</b>	<u>78,193</u>				<u>78,193</u>
Total Fund Balances	<u>\$ 229,497</u>	<u>\$ 5,975</u>	<u>\$ 63,579</u>	<u>\$ 2,267</u>	<u>\$ 301,318</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 301,318
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	6,889,549
Accumulated Depreciation	(2,376,841)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(289,080)</u>
Net Assets Of Governmental Activities	<u>\$ 4,524,946</u>

The accompanying notes are an integral part of the financial statements.

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**OWSLEY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**





**OWSLEY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 392,880	\$	\$ 1,581	\$ 593,284	\$ 987,745
In Lieu Tax Payments	9,751	50,046			59,797
Intergovernmental	181,911	1,213,979	215,407		1,611,297
Charges for Services	360,908				360,908
Miscellaneous	75,244	53,751	73		129,068
Interest	4,709	3,667	591		8,967
Total Revenues	<u>1,025,403</u>	<u>1,321,443</u>	<u>217,652</u>	<u>593,284</u>	<u>3,157,782</u>
<b>EXPENDITURES</b>					
General Government	469,759	32,400	7,200	339,403	848,762
Protection to Persons and Property	291,990		71,651	11,264	374,905
General Health and Sanitation	276,347		5,763		282,110
Social Services	22,705		5,400	111,150	139,255
Recreation and Culture	97,459			134,200	231,659
Roads	32,799	1,101,324			1,134,123
Debt Service					
Principal	78,953	81,620			160,573
Interest	5,350	3,061			8,411
Capital Projects	2,920	109,555			112,475
Administration	209,774	162,364	15,260		387,398
Total Expenditures	<u>1,488,056</u>	<u>1,490,324</u>	<u>105,274</u>	<u>596,017</u>	<u>3,679,671</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(462,653)</u>	<u>(168,881)</u>	<u>112,378</u>	<u>(2,733)</u>	<u>(521,889)</u>
<b>Other Financing Sources (Uses)</b>					
Financing Obligation Proceeds	136,635				136,635
Transfers From Other Funds	356,729	190,823			547,552
Transfers To Other Funds	(128,000)	(265,066)	(154,486)		(547,552)
Total Other Financing Sources (Uses)	<u>365,364</u>	<u>(74,243)</u>	<u>(154,486)</u>		<u>136,635</u>
Net Change in Fund Balances	(97,289)	(243,124)	(42,108)	(2,733)	(385,254)
Fund Balances - Beginning (Restated)	326,786	249,099	105,687	5,000	686,572
Fund Balances - Ending	<u>\$ 229,497</u>	<u>\$ 5,975</u>	<u>\$ 63,579</u>	<u>\$ 2,267</u>	<u>\$ 301,318</u>

The accompanying notes are an integral part of the financial statements.

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**OWSLEY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**OWSLEY COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ (385,254)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	583,967
Construction In Progress	327,216
Depreciation Expense	(332,948)
Assets disposed of, net book value	(29,228)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligations Proceeds	(136,635)
Financing Obligations Principal Payments	<u>160,574</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 187,692</u></u>
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**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Owsley County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39, there are no component units which merit consideration as part of the reporting entity.

**C. Owsley County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Owsley County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Owsley County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds since there is only one fund type (governmental) for Owsley County. The fiscal court may also designate any fund as major. Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.



**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Local Government Economic Assistance Fund - These funds may be spent for public safety, environmental protection, public transportation, health, recreation, libraries, social services, industrial and economic development, and vocational education. These funds are specifically prohibited from being used for administration of the government. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Development Fund and Community Development Block Grant Fund.

**Special Revenue Funds:**

The Road Fund, Local Government Economic Assistance Fund, Local Government Economic Development Fund, and Community Development Block Grant Fund. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Venture**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, Three Forks Regional Jail is considered a joint venture of the Owsley County Fiscal Court.

On October 6, 2000, the Counties of Lee, Owsley, and Wolfe (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000, the corporation issued \$6,295,000 of first mortgage revenue bonds. On December 1, 2000, the three participating counties established the Three Forks Regional Jail Authority pursuant to the provisions of KRS 441.800 and KRS 441.810 to act as the constituted authority of the participating counties in the acquisition, construction, equipping and operation of the Three Forks Regional Jail.

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Joint Venture (Continued)**

The only source of funds expected by the Three Forks Public Properties Corporation to meet the debt service requirements of the bonds are the rental payments from the participating counties, as stipulated in the lease and sublease agreements dated October 1, 2000. Pursuant to the lease and sublease, each participating county covenants to meet its proportionate share of the debt service requirements of the bonds as follows (the “proportionate share” or “use allowance”): 40% for Lee County, 22% for Owsley County and 38% for Wolfe County.

By execution of the lease and subleases, each county is obligated for the amount of its proportionate share, plus any operating cost allowance required under the lease and subleases. Each county is liable solely for its own proportionate share of total annual debt service for the bonds and no one county is liable for another county’s debt. Payment of the annual debt service for the bonds is dependent upon each participating county paying its respective amount of its use allowance as rent under the lease or sublease, as the case may be, in full. Each county has agreed in its lease and sublease agreements that in the event a county cannot pay its indebtedness, an Ad Valorem Tax will be levied in that county for an amount sufficient to provide full payment of the county’s rentals due for that year.

The Three Forks Regional Jail Authority and the Three Fork’s Public Properties Corporation are comprised of an eight (8) member board of directors. Lee County appoints three of the eight members. Wolfe and Owsley counties appoint two members each. In addition, the Lee County jailer is a required member of the board.

A copy of the Three Forks Regional Jail Authority’s most recent audit report may be obtained at Three Forks Regional Jail 2475 Center Street, Beattyville, Kentucky 41311.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>	(Restated)			
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 113,402	\$ 190,000	\$	\$ 303,402
Construction In Progress		327,216		327,216
Total Capital Assets Not Being Depreciated	113,402	517,216		630,618
Capital Assets, Being Depreciated:				
Buildings	1,625,688	33,683		1,659,371
Vehicles and Equipment	2,509,308	58,888	(127,805)	2,440,391
Infrastructure	1,857,773	301,396		2,159,169
Total Capital Assets Being Depreciated	5,992,769	393,967	(127,805)	6,258,931
Less Accumulated Depreciation For:				
Buildings	(457,374)	(32,087)		(489,461)
Vehicles and Equipment	(993,991)	(121,981)	98,577	(1,017,395)
Infrastructure	(691,105)	(178,880)		(869,985)
Total Accumulated Depreciation	(2,142,470)	(332,948)	98,577	(2,376,841)
Total Capital Assets, Being Depreciated, Net	3,850,299	61,019	(29,228)	3,882,090
Governmental Activities Capital Assets, Net (Restated)	\$ 3,963,701	\$ 578,235	\$ (29,228)	\$ 4,512,708

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 18,518
Protection to Persons and Property	56,401
General Health and Sanitation	11,027
Social Services	12,700
Recreation and Culture	15,239
Roads, Including Depreciation of General Infrastructure Assets	219,063
Total Depreciation Expense - Governmental Activities	<u>\$ 332,948</u>

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-Term Debt**

**A. Drill**

On January 8, 2007, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a drill for the road department. The principal amount of the lease was \$58,000. The agreement requires monthly interest payments and annual principal payments in July to be paid in full July 2011, with an interest rate of 5.305%. The county opted to pay this lease off early, leaving no principal outstanding as of June 30, 2011.

**B. Ramming Hammer**

On June 12, 2007, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a ramming hammer for the road department. The principal amount of the lease was \$35,500. The agreement requires monthly interest and principal payments to be paid in full June 2012, with an interest rate of 4.25% plus fees. The county opted to pay this lease off early, leaving no principal outstanding as of June 30, 2011.

**C. Abe Lincoln Property Improvements**

On August 11, 2008, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for renovating existing buildings and constructing additional structures on property owned by Owsley County referred to as the Abe Lincoln property. The principal amount of the lease was \$60,000. The agreement requires annual principal payments and monthly interest payments to be paid in full August 20, 2018, with an interest rate of 4.242%. The county opted to pay this lease off early, leaving no principal outstanding as of June 30, 2011.

**D. Ambulance**

On April 20, 2009, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of an ambulance. The principal amount of the lease was \$33,625. The agreement requires annual principal payments and monthly interest payments to be paid in full March 20, 2012, with an interest rate of 4.898%. Amount of principal outstanding as of June 30, 2011 was \$13,625. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 13,625	\$ 593
Totals	\$ 13,625	\$ 593

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**E. Dump Truck/Dumpsters**

On May 26, 2009, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a garbage truck for the solid waste department. The principal amount of the lease was \$88,000. The agreement requires principal payments every third month and monthly interest payments to be paid in full May 20, 2015, with an interest rate of 5.718%. Amount of principal outstanding as of June 30, 2011 was \$72,000. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 8,000	\$ 3,131
2013	8,000	2,790
2014	8,000	2,451
2015	48,000	1,952
Totals	<u>\$ 72,000</u>	<u>\$ 10,324</u>

**F. Patcher and Bushwacker**

On July 1, 2009, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a patcher and bushwhacker for the road department. The principal amount of the lease was \$115,000. The agreement requires monthly principal and interest payments with a variable interest rate. The maturity date of the lease is June 20, 2012. Amount of principal outstanding as of June 30, 2011 was \$39,774. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 39,774	\$ 1,129
Totals	<u>\$ 39,774</u>	<u>\$ 1,129</u>

**G. Garbage Truck**

On January 25, 2010, the Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a garbage truck for the solid waste department. The principal amount of the lease was \$35,000. The agreement requires principal payments in May and November and monthly interest payments to be paid in full November 20, 2015, with a variable interest rate. Principal amount outstanding as June 30, 2011 was \$28,000. Lease payments for the remaining years are:

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**G. Garbage Truck (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 6,000	\$ 1,316
2013	6,000	1,061
2014	6,000	806
2015	6,000	552
2016	4,000	159
Totals	<u>\$ 28,000</u>	<u>\$ 3,894</u>

**H. Ambulance**

On May 6, 2011, the Fiscal Court entered into a lease agreement with Farmers State Bank for the purchase of an ambulance. The principal amount of the lease was \$36,635. The agreement requires monthly principal and interest payments to be paid in full May 5, 2014, with an interest rate of 4.5%. Amount of principal outstanding as of June 30, 2011 was \$35,681. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 11,701	\$ 1,389
2013	12,250	840
2014	11,730	270
	<u>\$ 35,681</u>	<u>\$ 2,499</u>

**I. Land**

On December 29, 2010, the Fiscal Court entered into a lease agreement with Farmers State Bank for the purchase of land for a Multigenerational Center at the county park. The principal amount of the lease was \$100,000. The agreement requires one principal and interest payment to be paid in full August 30, 2011, with an interest rate of 4.5%. Amount of principal outstanding as of June 30, 2011 was \$100,000. Lease payments for the remaining years are:



**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**I. Land (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 100,000	\$ 3,175
	<u>\$ 100,000</u>	<u>\$ 3,175</u>

**J. Changes In Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 313,019	\$ 136,635	\$ 160,574	\$ 289,080	\$ 179,100
Governmental Activities Long-term Liabilities	<u>\$ 313,019</u>	<u>\$ 136,635</u>	<u>\$ 160,574</u>	<u>\$ 289,080</u>	<u>\$ 179,100</u>

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$94,042, FY 2010 was \$115,882, and FY 2011 was \$125,413.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Deferred Compensation**

The Owsley County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 7. Insurance**

For the fiscal year ended June 30, 2011, Owsley County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Interfund Transfers**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total Transfers Out</u>
General Fund	\$	\$ 128,000	\$ 128,000
Road Fund	265,066		265,066
Local Government Economic Assistance Fund	<u>91,663</u>	<u>62,823</u>	<u>154,486</u>
Total Transfers In	<u>\$ 356,729</u>	<u>\$ 190,823</u>	<u>\$ 547,552</u>

**Note 9. Prior Period Adjustments**

Net assets of the governmental activities as previously reported have been restated for the following:

Net Assets - Beginning	\$ 4,008,115
Adjustments:	
Capital Assets Not Previously Reported - Net	315,600
Land Down Payment	10,000
Bank Account Not Previously Reported	2,856
PY Voided Check (Road Fund)	709
Corrected Beginning Balance Parks & Recreation Fund	<u>(26)</u>
Net Assets - Restated	<u>\$ 4,337,254</u>

**OWSLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 9. Prior Period Adjustments (Continued)**

Beginning Balance - General Fund

Balance per Prior Year Report	\$ 169,067
Account Not Previously Reported	<u>2,856</u>

Restated Beginning Balance - General Fund	<u><u>\$ 171,923</u></u>
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Beginning Balance - Road Fund

Balance per Prior Year Report	\$ 248,390
Prior Year Voided Check	<u>709</u>

Restated Beginning Balance - Road Fund	<u><u>\$ 249,099</u></u>
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Beginning Balance - Parks & Recreation Fund

Balance per Prior Year Report	\$ 75,753
Correction of Prior Year Balance	<u>(26)</u>

Restated Beginning Balance - Parks & Recreation Fund	<u><u>\$ 75,727</u></u>
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**Note 10. Change in Accounting Principle**

The county implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which has altered the classifications of fund balances on the Balance Sheet – Governmental Funds and the presentation of funds. The Jail Fund, Solid Waste Fund, and Parks & Recreation Fund previously presented as special revenue funds do not meet the definition of a special revenue fund in the current year. Therefore, the fund balances, revenues, and expenditures of these funds are reported in the General Fund.

**OWSLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**



**OWSLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 370,075	\$ 370,075	\$ 392,880	\$ 22,805
In Lieu Tax Payments	21,400	21,400	9,751	(11,649)
Intergovernmental Revenue	241,950	334,262	111,210	(223,052)
Charges for Services	15,000	15,000	102,397	87,397
Miscellaneous	40,475	40,475	48,242	7,767
Interest	300	300	1,490	1,190
Total Revenues	<u>689,200</u>	<u>781,512</u>	<u>665,970</u>	<u>(115,542)</u>
<b>EXPENDITURES</b>				
General Government	446,207	513,302	469,759	43,543
Protection to Persons and Property	38,600	87,639	68,345	19,294
General Health and Sanitation	38,100	131,412	108,877	22,535
Social Services	18,000	22,705	22,705	
Recreation and Culture	15,000	15,000	4,950	10,050
Debt Service	100	100		100
Administration	265,650	184,513	164,622	19,891
Total Expenditures	<u>821,657</u>	<u>954,671</u>	<u>839,258</u>	<u>115,413</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(132,457)</u>	<u>(173,159)</u>	<u>(173,288)</u>	<u>(129)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds		36,635	36,635	
Transfers From Other Funds	177,364	177,364	280,066	102,702
Transfers To Other Funds	<u>(144,907)</u>	<u>(209,907)</u>	<u>(235,000)</u>	<u>(25,093)</u>
Total Other Financing Sources (Uses)	<u>32,457</u>	<u>4,092</u>	<u>81,701</u>	<u>77,609</u>
Net Changes in Fund Balance	(100,000)	(169,067)	(91,587)	77,480
Fund Balance - Beginning	<u>100,000</u>	<u>169,067</u>	<u>171,923</u>	<u>2,856</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,336</u>	<u>\$ 80,336</u>

**OWSLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

Reconciliation of the Budgetary Comparison Schedule to Statement  
of Revenues, Expenditures, and Changes in Fund Balances

Total Revenues	\$ 665,970
Add:	
Principal on Debt Service Paid By Owsley County Ambulance Service	10,953
Jail Fund Revenues	59,385
Solid Waste Fund Revenues	281,460
Parks and Recreation Fund Revenues	<u>7,635</u>
Revenues - Ending - Modified Cash Basis	<u>\$ 1,025,403</u>
Total Expenditures	\$ 839,258
Add:	
Principal on Debt Service Paid By Owsley County Ambulance Service	10,953
Jail Fund Expenditures	231,713
Solid Waste Fund Expenditures	255,287
Parks and Recreation Fund Expenditures	<u>150,845</u>
Expenditures - Ending - Modified Cash Basis	<u>\$ 1,488,056</u>
Other Financing Sources (Uses)	\$ 81,701
Add: Parks and Recreation Fund Financing Obligation Proceeds	100,000
Add: Transfers From Other Funds	
Jail Fund Transfers In	56,663
Parks and Recreation Transfers In	20,000
Less: Interfund Transfers	
Jail Fund	105,000
Parks and Recreation	20,000
Less: Transfers To Other Funds	
Solid Waste Fund Transfers Out	<u>(18,000)</u>
Other Financing Sources (Uses) - Ending - Modified Cash Basis	<u>\$ 365,364</u>
Fund Balance - Beginning	\$ 171,923
Jail Fund	6,269
Solid Waste Fund	72,867
Parks and Recreation Fund	<u>75,727</u>
Fund Balance - Beginning - Modified Cash Basis	<u>\$ 326,786</u>
Fund Balance - Ending	\$ 80,336
Jail Fund	15,603
Solid Waste Fund	46,041
Parks and Recreation Fund	<u>87,517</u>
Fund Balance - Ending - Modified Cash Basis	<u>\$ 229,497</u>



**OWSLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 58,361	\$ 58,361	\$ 50,046	\$ (8,315)
Intergovernmental Revenue	1,565,038	1,645,038	1,213,979	(431,059)
Miscellaneous	77,000	77,000	53,751	(23,249)
Interest	700	700	3,667	2,967
Total Revenues	<u>1,701,099</u>	<u>1,781,099</u>	<u>1,321,443</u>	<u>(459,656)</u>
<b>EXPENDITURES</b>				
General Government	32,400	32,400	32,400	
Roads	1,333,260	1,422,760	1,101,324	321,436
Debt Service				
Principal	25,000	45,000	81,620	(36,620)
Interest	75,000	55,000	3,061	51,939
Capital Projects	50,000	130,000	109,555	20,445
Administration	203,298	212,790	162,364	50,426
Total Expenditures	<u>1,718,958</u>	<u>1,897,950</u>	<u>1,490,324</u>	<u>407,626</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(17,859)</u>	<u>(116,851)</u>	<u>(168,881)</u>	<u>(52,030)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	45,323	45,323	190,823	145,500
Transfers To Other Funds	<u>(177,464)</u>	<u>(177,464)</u>	<u>(265,066)</u>	<u>(87,602)</u>
Total Other Financing Sources (Uses)	<u>(132,141)</u>	<u>(132,141)</u>	<u>(74,243)</u>	<u>57,898</u>
Net Changes in Fund Balance	(150,000)	(248,992)	(243,124)	5,868
Fund Balance - Beginning	<u>150,000</u>	<u>248,992</u>	<u>249,099</u>	<u>107</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,975</u>	<u>\$ 5,975</u>

**OWSLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,800	\$ 2,800	\$ 1,581	\$ (1,219)
Intergovernmental Revenue	155,700	202,363	215,407	13,044
Miscellaneous			73	73
Interest	75	75	591	516
Total Revenues	<u>158,575</u>	<u>205,238</u>	<u>217,652</u>	<u>12,414</u>
<b>EXPENDITURES</b>				
General Government	7,200	7,200	7,200	
Protection to Persons and Property	76,844	82,344	71,651	10,693
General Health and Sanitation	7,500	7,500	5,763	1,737
Social Services	5,400	5,400	5,400	
Administration	23,428	53,615	15,260	38,355
Total Expenditures	<u>120,372</u>	<u>156,059</u>	<u>105,274</u>	<u>50,785</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>38,203</u>	<u>49,179</u>	<u>112,378</u>	<u>63,199</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	17,120	17,120		(17,120)
Transfers To Other Funds	(90,323)	(171,986)	(154,486)	17,500
Total Other Financing Sources (Uses)	<u>(73,203)</u>	<u>(154,866)</u>	<u>(154,486)</u>	<u>380</u>
Net Changes in Fund Balances	(35,000)	(105,687)	(42,108)	63,579
Fund Balances - Beginning	<u>35,000</u>	<u>105,687</u>	<u>105,687</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,579</u>	<u>\$ 63,579</u>

**OWSLEY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

Due to the implementation of GASB Statement No. 54, the Statement of Revenues, Expenditures, and Changes in Fund Balance differs from the Budgetary Comparison Schedule for the General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance includes the activity for the General Fund, the Jail Fund, the Solid Waste Fund, and the Parks and Recreation Fund as outlined and reconciled on page 31.

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**OWSLEY COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2011**



**OWSLEY COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<b>Local Government Economic Development Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,267	\$	\$ 2,267
Total Assets	<u>2,267</u>	<u></u>	<u>2,267</u>
<b>FUND BALANCES</b>			
Assigned To:			
Social Services	<u>2,267</u>	<u></u>	<u>2,267</u>
Total Fund Balances	<u>\$ 2,267</u>	<u>\$</u>	<u>\$ 2,267</u>

The accompanying notes are an integral part of the financial statements.

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**OWSLEY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**



**OWSLEY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>Local Government Economic Development Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$ 296,913	\$ 296,371	\$ 593,284
Total Revenues	<u>296,913</u>	<u>296,371</u>	<u>593,284</u>
<b>EXPENDITURES</b>			
General Government	43,032	296,371	339,403
Protection to Persons and Property	11,264		11,264
Social Services	111,150		111,150
Recreation and Culture	<u>134,200</u>		<u>134,200</u>
Total Expenditures	<u>299,646</u>	<u>296,371</u>	<u>596,017</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,733)</u>		<u>(2,733)</u>
Net Change in Fund Balances	(2,733)		(2,733)
Fund Balances - Beginning	5,000		5,000
Fund Balances - Ending	<u><u>\$ 2,267</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,267</u></u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Ronnie DeBord, Owsley County Judge/Executive  
Members of the Owsley County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owsley County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 28, 2012. Owsley County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Owsley County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Owsley County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Owsley County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Owsley County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2011-01 to be a material weakness.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Owsley County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standard.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

June 28, 2012



**COMMENT AND RECOMMENDATION**



**OWSLEY COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2011**

**INTERNAL CONTROL – MATERIAL WEAKNESS:**

**2011-01    The County Did Not Maintain A Complete And Accurate List Of Capital Assets**

The county did not maintain an updated list of capital assets. Additionally, the county did not maintain a listing of capital asset additions, disposals, and retirements for FYE June 30, 2011. In order to comply with the requirements of GASB Statement No. 34, the county must maintain information related to current capital assets including all assets acquired during the year, all assets disposed of during the year, and any assets retired during the year. Periodically, the county should compare the capital asset listing to asset inventory and to the insurance policy to ensure consistency and accuracy of reporting. We recommend the county implement procedures to track capital asset additions, disposals, and retirements in order to maintain complete and accurate capital asset lists.

*County Judge/Executive's Response: No response.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**OWSLEY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
OWSLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Owsley County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer

